The Five Types of Customer Experience Management Service Providers You Should Know About

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Highlights

DIGITAL CLARITY GROUP

Executive Summary

Consider these real-world scenarios:

- An executive at a multinational corporation buys an enterprise customer experience management (CEM) product from Vendor X. He then realizes that integrating this new platform with the company's existing infrastructure requires a degree of technical expertise that doesn't exist internally. "No problem," replies Vendor X, "we'll put you in touch with our channel partners."

- An executive at another large company is given a mandate from her senior management team to create a strategy to triple online sales in the next year. She is advised to identify a short list of company-approved suppliers and choose one to advise on and implement this strategy.

Both scenarios are common as more and more organizations undertake new initiatives to provide great experiences for their customers, enabled by digital technologies. Yet both also highlight a key factor in the many ways that these initiatives hit stumbling blocks that result in delays, cost overruns, and outright failures: selecting the best-fit service provider for a technology-focused customer experience implementation. As these CEM implementations become more complex, involving multiple technology solutions and lines of business, the importance of having a service provider with the appropriate level of expertise, experience, and cultural fit becomes greater than ever.

And yet, when it comes to identifying the right service provider, today's organizations face a bewildering array of options and a glaring lack of the transparency needed to compare those options. We estimate there are over 80,000 service providers globally; moreover, the characteristics of each firm can overlap and cover a wide breadth of services.[1]

Some providers specialize in one type of service, like strategy consulting, software implementation from a single vendor exclusively, or design and creative services. Others describe themselves as "end-to-end" or "full service" and claim to offer a range of services from ideation to post implementation. Still others eschew market categorizations altogether as a way of standing out from the crowd, preferring to come up with their own taglines that have no meaning beyond their walls.

Vendors that partner with service providers do not make this easier. Vendors commonly assign their service providers to different tiers, like platinum, gold, silver, and bronze. These tiers are based, almost without exception, on the volume of business that partner generates for the vendor. Thus, Vendor X may have a platinum partner that has a string of dissatisfied customers but still gets the largest share of customer referrals due to sheer math, while it may have a bronze partner that has a stellar reputation and repeat business but never gets referrals because it services smaller organizations and operates on a more regional scale.

Understanding the main categories of CEM service provider types, their historical roots, their skill sets, and how they position themselves is imperative for getting the full value from the service partner and for preventing projects from derailing. Such an understanding will help organizations to better plan and manage complex IT projects related to customer experience management. This report provides a framework for navigating the complex service provider landscape and understanding these service providers, as well as recommendations for engagement.

CEM Service Providers Fall into Five Main Categories Based on the Services They Offer

The term "service provider" describes any entity that provides services and/or products in support of customer experience management (CEM) initiatives. These services may range from user research, design, and business strategy to technical migrations, implementations, integration, and custom coding. Based on their historical roots and current positioning, service providers today fall into five main categories: management consultancies, advertising agencies, marketing communications and public relations firms, digital agencies, and systems integrators. (See Figure 1.)

Other types of service providers, such as design agencies, are active in the CEM space, although more as tangential players. For example, the design agencies, like frog and IDEO, focus primarily on product design. While recognizing that other segments exist, this report covers the five service provider segments most closely involved in CEM initiatives.

Although these categorizations exist, with firms focusing exclusively on a single area, many service providers are positioning for future growth by acquiring other firms in adjacent spaces, reorganizing, and moving into new service categories. For example, Accenture and IBM, two companies traditionally known as systems integrators, have spent billions of dollars in the last few years acquiring design agencies.[2] At the same time, media conglomerates such as WPP, Publicis, and Omnicom have acquired firms in order to strengthen their technology breadth and depth.[3]

These acquisition and repositioning trends on the surface indicate that the lines between service providers are blurring, but providers' heritage and years of experience in specific areas are still the best indicators of how well they can meet customer requirements. Acquisitions take years, not months or quarters, to take effect. The reality is that some acquired companies may still operate fairly autonomously after getting a new parent, and others end up failing entirely.[4] Any service provider selection therefore needs to be informed by the characteristics of each category the provider is targeting and the degree to which its acquisitions have been integrated.

Figure 1
The Five Principal Service Provider Categories

| MANAGEMENT CONSULTANTS | ADVERTISING/ CREATIVE AGENCIES | MARKETING COMMUNICATIONS / PR FIRMS | DIGITAL AGENCIES | SYSTEM INTEGRATORS |

Management Consultancies Specialize in Business Strategies and Processes

Firms in this segment help organizations better understand internal- and external-facing processes to ensure they are making the best possible use of time and resources. They also provide strategic advice on many facets of an organization's business, including overall sales, marketing, operations, and organizational change. Firms in the management consulting category are characteristically the outside advisors brought in by senior executives as the expert strategists to help foster a stronger company, provide independent assessments, and activate the necessary changes to lift a firm to "the next level."

Management consulting firms' services range from strategic business planning to incorporating customer experience management into core business processes, and include service portfolios such as the following:

- Mergers and acquisitions guidance
- Corporate finance strategies
- Developing operational excellence
- Aligning business processes with the proper technology solutions
- Organizational change management
- Creating or redefining customer journeys

Advertising Agencies Help to Position the Brand for Target Markets

Firms in this segment offer services related to creating, planning, buying, and managing advertising services. Considered experts in audience targeting and brand identity, these firms provide clients with strategies to position their products, services, and overall brand in targeted markets. As their name implies, it is this type of agency that corporations, nonprofits, and public-sector groups typically hire to conceive, develop, produce, and buy space for advertising campaigns that run on traditional formats like television, radio, and print, and newer ones like Snapchat and YouTube.

This service provider segment typically offers services, for example, in the following areas:

- Programmatic
- Traditional branding and marketing campaigns
- Paid media
- Creative services that leverage both on and offline mediums
- Brand identities
- Unique ideas for new products, services, processes, or other business initiatives

These firms often understand the implications of working with complex technical systems, but they don't usually have the in-house resources to effectively leverage the technical components. For this, they need to rely on the client's in-house expertise or partner with another service provider.

For example, partnering with technically savvy agencies or systems integrators can support the technical requirements for implementing digital campaigns and systems.

Marketing Communications and Public Relations Firms Provide External Messaging

Traditionally focused on a client's external communications, these firms offer strategic communications plans that cross the print, web, and digital spaces. Core capabilities often include public relations planning, monitoring, and execution; promotional campaigns; executive communications; and website design. These agencies focus equally on the message, channel, and audience when building their solutions, and often turn advertising agencies' creative work into a communications campaign.

This service provider segment typically offers services in these areas:

- Public relations planning, monitoring, and execution

- Earned media

- Promotional campaigns

- Content creation

- Executive communications

- Website design

Marcomm/PR firms help their clients craft the right messaging for the right channels to engage their target audience. Social networking, content strategy, and influencer marketing are a natural

fit for these firms. For buyers who find it difficult to understand the difference between marcomm/ PR firms and advertising agencies, it is helpful to think of the former as the kings of earned media – print, digital, and TV visibility earned through promotional work – and the latter as the kings of paid media.

Digital Agencies Offer Creative and Technical Services for Digital

Responding to the need to support digital – and therefore usually software-driven – interactions, digital agencies have in-house talent that spans both technology and creative capabilities. They might like to be thought of as the new generation of (digital) "Mad Men," pulling creative and technical teams together to bring creative digital strategies to life. These firms are able to imagine and assemble the different ingredients needed for their customers, who in turn provide great experiences to their end customers.

This service provider segment typically offers services around the following areas:

- User experience and user design

- Web design

- Internet advertising and marketing

- E-commerce strategies and practices

- Marketing and communications strategy

- Branding, video, and program deployment

- Program/project management

While digital agencies do offer many services, their technical expertise is typically less extensive than a systems integrator's (see below). A specific software vendor partnership with a digital agency may, to a significant degree, define the breadth of its expertise.

System Integrators Double Down on Complex Technology Implementations

System integrators specialize in building complete technological solutions, usually by combining hardware, software, and networking components from multiple vendors and the client's internal development organization. Their expertise lies in knowing technology platforms in depth. Some system integrators have evolved over the past decade from pure technologists to providing services around consulting, design, and program management.

Typically, system integrators will differentiate themselves from competitors based on their technology partnerships or technical expertise in specific vendor products, although some claim to be vendor-agnostic and/or specialize in open-source solutions. System integrators excel at understanding organizations' technology landscapes, and then work to integrate the various pieces to custom-fit requirements. Companies with strong IT leadership teams may find a good fit with service providers from this category.

This service provider segment typically offers services in the following CEM areas:

- Designing enterprise architectures and/or applications

- Integrating with new or existing hardware and software

- Migrating data and content

- Optimizing the networking and communications infrastructure

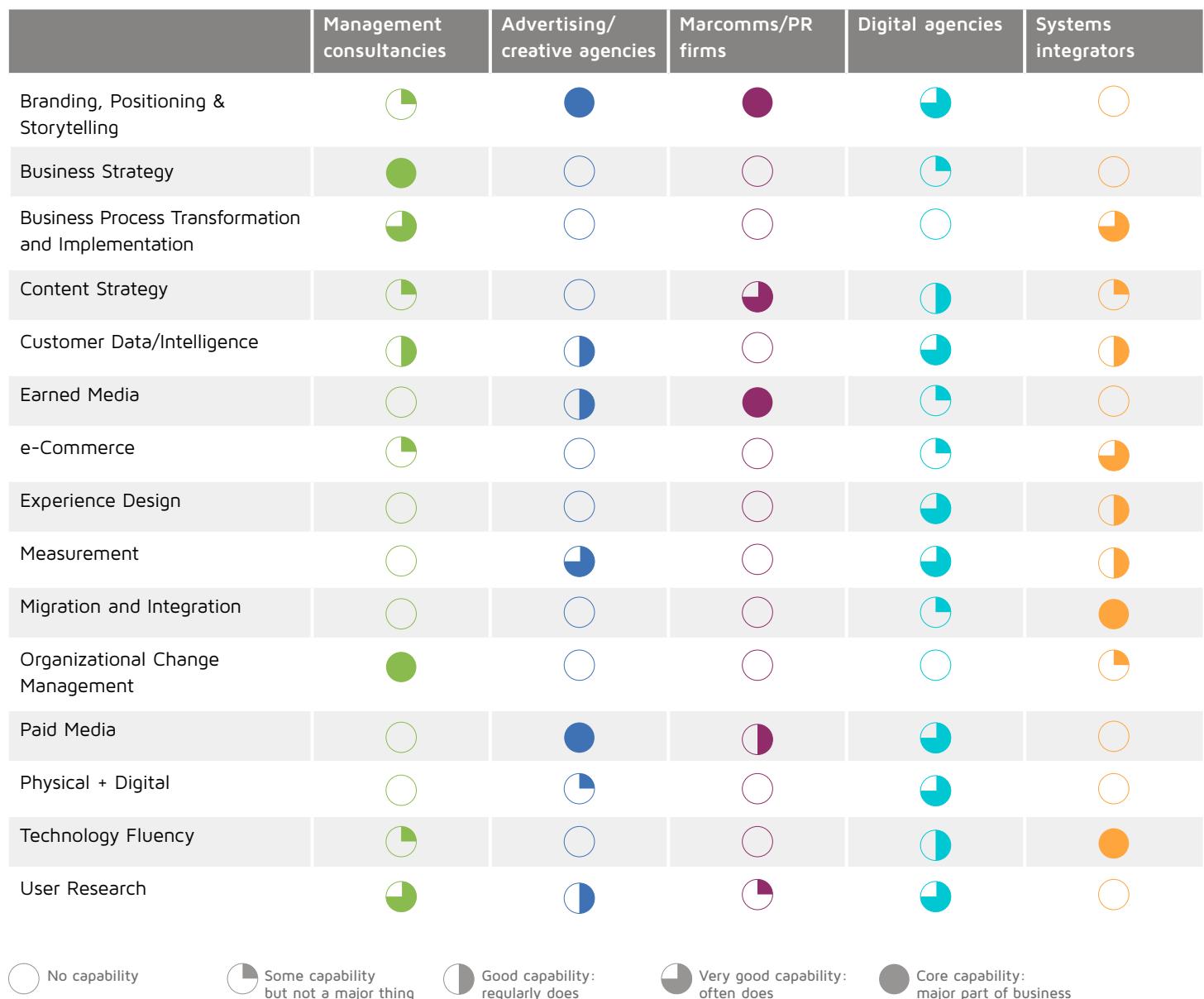- Implementing application performance and security systems

Service Provider Selection Requires Research and Thorough Vetting of Skill Sets

For organizations considering complex CEM initiatives that involve technology, strategy, design, or all of the above, filling gaps in expertise with external partners is becoming more necessary than ever. Understanding the different categories of service providers and being armed with the right questions to inform service provider selection are crucial steps needed to improve CEM success.

Figure 2 provides a guide to understanding what the five service categories are most likely to have as competencies, and the degree to which they

Figure 2
Factors to Consider When Choosing a Service Provider

	Management consultancies	Advertising/ creative agencies	Marcomms/PR firms	Digital agencies	Systems integrators
Branding, Positioning & Storytelling	Some capability	Core capability	Core capability	Some capability	No capability
Business Strategy	Core capability	No capability	No capability	Some capability	No capability
Business Process Transformation and Implementation	Some capability	No capability	No capability	No capability	Some capability
Content Strategy	Some capability	No capability	Some capability	Good capability	Some capability
Customer Data/Intelligence	Good capability	Some capability	No capability	Very good capability	Good capability
Earned Media	No capability	Good capability	Core capability	Some capability	No capability
e-Commerce	Some capability	No capability	No capability	Very good capability	Good capability
Experience Design	No capability	No capability	No capability	Very good capability	Good capability
Measurement	No capability	Some capability	No capability	Very good capability	Good capability
Migration and Integration	No capability	No capability	No capability	Some capability	Core capability
Organizational Change Management	Core capability	No capability	No capability	No capability	Some capability
Paid Media	No capability	Core capability	Good capability	Very good capability	No capability
Physical + Digital	No capability	Some capability	No capability	Very good capability	No capability
Technology Fluency	Some capability	No capability	No capability	Good capability	Core capability
User Research	Some capability	Good capability	Some capability	Some capability	No capability

Legend:
- ○ No capability
- ◔ Some capability but not a major thing
- ◐ Good capability: regularly does
- ◕ Very good capability: often does
- ● Core capability: major part of business

actually have those competencies. Management consultancies, for example, are strongest in business strategy and change and process management, and some may have done projects involving content strategy, but they do not deal with earned and paid media.

As digital experience management becomes increasingly important for organizations, the number of software products will multiply, the lines between business technology and consumer technology will be more blurred, the integrations between them more complex, and the overall business challenges and business risk more daunting. In this context, the need for service providers necessarily increases – and the likelihood of achieving success without the *right* partners decreases.

Organizations looking for a service provider should keep the following questions in mind:

- Does the service provider excel in the skills for which you need assistance?

- Does the service provider perform consistently well in organizations similar to yours?

- Does it provide strong references that can be validated?

- Is it a good "fit" – culturally, geographically, and organizationally?

- Does the provider understand your industry requirements?

- How does it handle failure or organizational conflict along the way?

- Can the provider collaborate with your organization's staff and provide a consistent and effective main point of contact?

- Can it field a team that will be appropriate in both size and skill level in the geographic regions where you need it? Is it the same team that was promised during the selection period or is the provider handing you off to a different, possibly less-qualified team?

- Is the provider willing to train and educate you in order to decrease dependencies in the future?

- Does the provider have expertise in the ten core competencies for CEM? If not, does its combination with your staff provide the breadth of skills in the ten core competencies?[5]

While this list does not cover all possible assessment considerations, it provides a starting point for organizations to think critically about the relationship with potential service provider partners and how to ensure that partnership and the ensuing projects are successful.[6]

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Conclusion

Understanding the service provider market segments helps organizations to select better partners, increasing their chance of effectively solving the business challenge(s) or problem(s) they continually face. But it isn't easy or simple to categorize CEM service providers, for the following reasons:

- There are literally thousands of service providers globally[7] and the precise characteristics of each firm often overlap and cover a wide breadth of services. Some service providers fit into more than one category, and some self-identify as one type while offering a range of services from one or more of the other categories. Some choose to buck the market categorizations altogether because they want to be seen as unique and don't like being labeled.

- Vendor positioning is not absolute; the services firms are shifting, reorganizing, and constantly delivering new services. For example, classic advertising firms and systems integrators are moving into each other's space. The classic advertising agencies are creating digital campaigns that leverage CEM technology for clients, while technically oriented systems integrators are moving to produce and incorporate increasingly complex user-centered and visual designs.

- The landscape is vast, complex, highly fragmented, and not well understood by buyers. One by-product of this environment is that service providers are constantly trying to differentiate in order to stand out. It is not uncommon for companies, especially those

in the advertising/creative and digital agency segments, to invent new jargon to describe services or rely on overly creative descriptions of services, oftentimes leaving potential customers confused about what services are actually offered.

For service provider segmentation to be helpful, it's important for organizations to have a nuanced understanding of what they require so that they can be precise about what specific skills or capabilities they are seeking – and avoid getting caught up in marketing-speak and half-truths. With a failure rate for IT projects at 71%[8], companies and service providers must better identify and choose partners – hopefully lowering that failure rate over time.

Organizations seeking a service provider for a CEM initiative must look beyond the marketing rhetoric and carefully evaluate, vet, and confirm that the candidate providers have the necessary skills, experience, and partnership mentality. Likewise, it's important for service providers to honestly assess their qualifications when pursuing engagements with clients. Using the segmentation in this report will help both service providers and organizations find qualified partners and clients, leading to more successful engagements and outcomes.

Endnotes

1. According to official government industry statistics, the U.S. and the U.K. alone – two of the largest markets for service providers – have around 12,000 advertising agencies each. While those statistics include very small businesses, they do not include other types of service providers such as systems integrators. The estimated global number of service providers may be a conservative estimate, taking into account additional large markets such as Germany, Japan, China, and Brazil.

2. Accenture's recent acquisitions include Fjord (Sweden), dGroup (Germany), and IMJ (Japan), while IBM's include Resource/Ammirati (U.S.), Aperto (Germany), and ecx.io (Germany). For analysis of the IBM acquisitions see IBM iX Agency Acquisitions On The Path To Better Customer Experience, Digital Clarity Group, 2016.

3. Publicis took a big step into technology with its acquisition of Sapient: see Publicis' Group Acquisition of Sapient: Some Market Implications, Digital Clarity Group, 2014.

4. There have been many studies indicating that a majority of acquisitions fail. Clayton Christensen and others cite figures as high as 70-90% in The Big Idea: A New M&A Playbook, Harvard Business Review, 2011.

5. The ten core competencies for CEM initiatives are business strategy, technology fluency, physical and digital, user research, content strategy, customer data/intelligence, business process management, experience design, measurement, and organizational change management. For more information about the ten core competencies, see "Are You Ready for Customer Experience Management?"

6. See Assessing and Selecting Service Providers: A Framework, Digital Clarity Group, 2016.

7. As per Digital Clarity Group market-sizing research.

8. Standish Group 2015 Chaos Report.

About Digital Clarity Group

Digital Clarity Group is a research-based advisory firm focused on the content, technologies, and practices that drive world-class customer experience. Global organizations depend on our insight, reports, and consulting services to help them turn digital disruption into digital advantage. As analysts, we cover the customer experience management (CEM) footprint – those organizational capabilities and competencies that impact the experience delivered to customers and prospects. In our view, the CEM footprint overlays content management, marketing automation, e-commerce, social media management, collaboration, customer relationship management, localization, and search. As consultants, we believe that education and advice leading to successful CEM is only possible by actively engaging with all participants in the CEM solutions ecosystem. In keeping with this philosophy, we work with enterprise adopters of CEM solutions, technology vendors that develop and market CEM systems and tools, and service providers who implement solutions, including systems integrators and digital agencies.

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